

Message Text

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62

ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-08 EB-03 L-01 NSCE-00 NSC-05

INR-05 CIAE-00 TRSE-00 OMB-01 ARA-06 SP-02 /050 W

----- 075003

R 011342Z OCT 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 2217

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY BELGRADE

C O N F I D E N T I A L LUSAKA 1906

LIMDIS

EO 11652: GDS

TAGS: EGEN

SUBJECT: TIKA STEEL MILL APPLICATION TO EXIMBANK

REF: STATE 227457

BEGIN SUMMARY

1. AMBASSADOR DELIVERED LETTER FROM EXIM BANK DIRECTOR KOBELINSKI TO CENTRAL BANK GOVERNOR KUWANI SEPT 27. HE BITTER AND IRRECONCILABLE IN SAYING HE DETERMINED TO HAVE NOTHING FURTHER TO DO WITH EXIM ON THIS PROJECT. KUWANI CONVINCED EXIM INSINCERE AS WELL AS INCONSISTENT IN ITS HANDLING OF CASE. BELIEVES EXIM HAS NO INTENTION--REGARDLESS OF SUPPORTING EVIDENCE WHICH HAS OR MIGHT BE ADVANCED--OF GRANTING LOAN TO COVER US EQUIPMENT FROM SWINDELL DRESSLER. KUWANI ALSO CHARGES--DESPITE OUR DISCLAIMERS--THAT POOR EXIM BANK HANDLING OF THIS CASE GIVES EVIDENCE USG GENERALLY UNSYMPATHETIC TO ZAMBIAN DEVELOPMENT NEEDS AT TIME WHEN HE SAYS ZAMBIA NEEDS FOREIGN TECHNOLOGY AND CAPITAL. ZAMBIA PLANS SCALE DOWN US EQUIPMENT NEEDS TO BARE MINIMUM FOR HYL PROCESS AND SEEK CREDIT ELSEWHERE FOR IRON AND STEEL PROJECT. REQUEST DEPT. REVIEW CASE AND
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PROVIDE GUIDANCE. END SUMMARY

2. IF DEPT OFFICIALS HAVE NOT YET HAD OPPORTUNITY TO DISCUSS CASE WITH SWINDELL DRESSLER, WHICH IS BOTH MAJOR

US EQUIPMENT SUPPLIER AND CONTRACT MANAGER FOR PROJECT, WE WOULD URGE THIS BE DONE THROUGH INVITATION TO SWINDELL'S ROBERT LAWRENCE IN PITTSBURG, PENNSYLVANIA. IT NOTEWORTHY THAT SWINDELL'S ROBERT LAWRENCE HAS NEVER ONCE CALLED AT EMBASSY, DESPITE INVITATIONS EXTENDED TO HIM THROUGH VARIOUS CHANNELS. COULD ALSO BE ILLUMINATING IF DEPT COULD CONTACT BANK OF AMERICA WHICH ALSO INTERESTED IN LOAN.

3. WHILE EMBASSY HAS ITS OWN PRIVATE RESERVATIONS ABOUT FEASIBILITY OF A PROJECT BASED ON POOR GRADE IRON ORE RESOURCES AND IMPORTED PETROLEUM FOR NAPHTHA FUELING, TO SAY NOTHING OF ZAMBIA'S HIGH CAPITAL-OUTPUT RATIO (7:1-8:1), WE IN NO POSITION PASS TECHNICAL OR ECONOMIC JUDGMENT ON PROJECT WITHOUT ACCESS TO ALL RELEVANT DATA. BOTH AMAX AND ANGLO-AMERICAN TOP MINING OFFICIALS HAVE REPEATEDLY EXPRESSED THEIR SERIOUS DOUBTS TO US ABOUT FEASIBILITY OF SUCH AN IRON AND STEEL MILL PROJECT. THESE DOUBTS HAVE INTENSIFIED IN RECENT WEEKS AS ZAMBIA'S FOREIGN EXCHANGE AND FISCAL SITUATION HAS WORSENERD.

4. COMMENTS: KUWANI'S ATTITUDE SHOULD COME AS NO SURPRISE TO EXIM IF HE WAS AS OUTSPOKEN IN WASHINGTON AS HE MADE OUT TO ME HERE. WHAT MAY BE NEW IS HIS EFFORT TO BLAME US AS OVERALL EXTERNAL FINANCING FOR THIS POLITICALLY MOTIVATED AND ECONOMICALLY QUESTIONABLE PROJECT SEEMS TO GO POORLY BECAUSE WORLD INFLATION PERSISTS AND ZAMBIAN ECONOMIC SITUATION WORSENS. IT ALSO POSSIBLE WEST GERMANS (KFW) AND YUGOSLAVS MAY BE LESS ENTHUSIASTIC THAN KUWANI TRIED TO CONVEY IN THEIR SUPPORT OF ROLLING MILL AND BASIC INFRASTRUCTURE, RESPECTIVELY, FOR PROJECT.

5. WE HAVE POINTED OUT THAT SWINDELL DRESSLER IS REPUTABLE US AFFILIATE OF PULMAN STANDARD AND IN BEST POSSIBLE POSITION TO SERVE GRZ IN ASSESSING AND ARGUING SOUNDNESS OF PROJECT (ESPECIALLY IN VIEW OF IDENTICAL STEEL MILL SET UP BY SD WITH EXIM FINANCING AT PUEBLO, MEXICO). TRUE, MEXICO HAS CONFIDENTIAL

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PETROLEUM, ZAMBIA DOES NOT. HOWEVER, WE WONDER WHY EXIM REPORTEDLY HAS NOT ACCEPTED FEASIBILITY PRESENTATION OF SD WHEN IT SAID HYL PROCESS UNIQUE AND SD HAS EXCLUSIVE RIGHTS.

6. OUR STAND WITH ZAMBIANS WOULD BE REINFORCED IF DEPT COULD REVIEW CASE AT POLICY LEVEL WITH EXIM BANK AND SWINDELL AND PROVIDE WHATEVER ADDITIONAL GUIDANCE MAY BE NEEDED TO DEFEND US INTERESTS LOCALLY IN FACE OF ZAMBIAN CHARGES OF US BIAS AND UNFAIR TREATMENT. KUWANI TOLD ME PRESIDENT FOLLOWING CASE PERSONALLY; AT ONE POINT INSTRUCTED HIM TO DROP SD BECAUSE EXIM BANK INDICATED SD POORLY QUALIFIED TECHNICALLY AND UNACCEPTABLE TO EXIM. KUWANI FEELS SD HAS SINCE VINDICATED ITSELF AND THEIR CONTRACT WITH

SD REMAINS FIRM. KUWANI DROPPED STRONG HINT HE UNDER INSTRUCTIONS, FOLLOWING CABINET REVIEW OF PROJECT, TO LAY IT ON LINE WITH AMERICAN AMBASSADOR. EVEN THOUGH KUWANI HAS SERVED ME WITH SOMETHING OF AN ULTIMATUM IN RESPONSE TO KOBELINSKI LETTER, THIS IS PROBABLY NOT THE LAST WE HAVE HEARD ON THIS PROJECT. IN FACT KUWANI WOULD PROBABLY GRAB AND RUN WITH AN EXIM LOAN (TO PUMP PRIME FOR PRIVATE LOANS) IF EXIM AWARDED IT WITHOUT HARD AND FAST INDEPENDENT FEASIBILITY REQUIREMENT.

7. WE CAN CERTAINLY DO WITHOUT YET ANOTHER IRRITANT IN US-ZAMBIAN ECONOMIC AND COMMERCIAL RELATIONS AND I HOPE DEPT CAN EASILY REASSURE US THAT ZAMBIAN LOAN APPLICATION WAS INDEED--AS WE WOULD EXPECT--GIVEN FAIR AND IMPARTIAL TREATMENT. FROM TIME TO TIME WE ARE NEEDLED ABOUT "HISTORIC WESTERN TURNDOWN" ON TANZAM RR WHICH CHINESE PICKED UP. FACT THAT EXIM REQUIRING GUARANTEE ON LOANS TO MINING COMPANIES--WHILE UNDERSTANBLE TO FOREIGN MINORITY INTERESTS (ANGLO AND AMAX)--IS STILL RESENTED BY ZAMBIANS ON FALSE GROUNDS US OPPOSES LOCAL MANAGEMENT.

8. CENTRAL COMMITTEE MEMBER DANIEL LISULO AND GENERAL MANAGER OF TIKA PROJECT WAS LESS CAUSTIC THAN KUWANI IN MY BRIEF CONVERSATION WITH HIM SEPT 30, ALTHOUGH QUESTIONED WHY EXIM BANK COULD NOT SEE FIT TO GRANT \$4 MILLION LOAN. HE SUGGESTED APPOINTMENT WEEK OF OCT 6. IF POSSIBLE, WOULD WELCOME SOME PRELIMINARY CONFIDENTIAL

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GUIDANCE BY THEN.
WILKOWSKI

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, IRON, BANK LOANS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 OCT 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LUSAKA01906
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750341-0378
From: LUSAKA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197510102/baaaatlx.tel
Line Count: 145
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by ShawDG>; APPROVED <07 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EGEN, ZA, XMB, TIKI STEEL MILL, (KOBELINSKI), (KUWANI)
To: STATE INFO LONDON
BONN
BELGRADE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006